

08 CV 7854

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

**CITY OF INKSTER POLICEMEN AND  
FIREMEN RETIREMENT SYSTEM,  
Individually and on Behalf of All Others  
Similarly Situated,**

Plaintiff,

VS.

NOVAGOLD RESOURCES INC., RICK  
VAN NIEUWENHUYSE, ROBERT J.  
MacDONALD and PETER W. HARRIS,

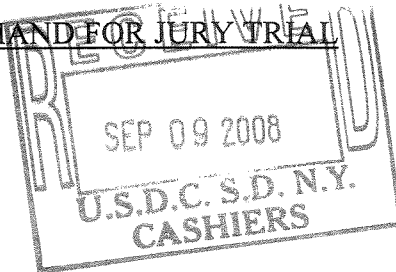
Defendants.

Civil Action No.

CLASS ACTION

# COMPLAINT FOR VIOLATION OF THE FEDERAL SECURITIES LAWS

DEMAND FOR JURY TRIAL



## INTRODUCTION AND OVERVIEW

1. This is a class action for violations of the anti-fraud provisions of the federal securities laws on behalf of all purchasers of NovaGold Resources Inc. (“NovaGold” or the “Company”) securities between October 25, 2006 and November 23, 2007 (the “Class Period”), who were damaged thereby (the “Class”).

2. NovaGold is engaged in the business of exploration and development of mineral properties. The Company’s primary focus is gold properties, although its properties also have significant copper, silver and zinc resources. The Company conducts its operations through wholly owned subsidiaries and joint ventures. The Company’s portfolio of gold properties includes Galore Creek, Donlin Creek, the Nome Operations (including Rock Creek, Big Hurrah and Nome Gold), and the Ambler project.

3. During the Class Period, defendants made false and misleading statements regarding the costs, progress and viability of NovaGold’s multi-billion dollar Galore Creek project. Specifically, defendants repeatedly touted the results of a feasibility study which estimated the capital costs for the Galore Creek project to be Cdn.\$2.2 billion. In fact, developing Galore Creek would cost \$5 billion, over twice what defendants represented.

4. Finally, on November 26, 2007, the Company announced that it would suspend activities at Galore Creek based on the results of an updated feasibility study which reflected the true costs for the Galore Creek project.

5. As a result of this disclosure, NovaGold’s stock price dropped from \$20.24 to \$9.48 the next trading day, a drop of 53%. This decrease in NovaGold’s stock price was a result of the artificial inflation caused by defendants’ misleading statements coming out of the stock price.

### **JURISDICTION AND VENUE**

6. The claims asserted arise under §§10(b) and 20(a) of the Securities Exchange Act of 1934 (“1934 Act”) and Rule 10b-5. Jurisdiction is conferred by §27 of the 1934 Act. Venue is proper pursuant to §27 of the 1934 Act. NovaGold’s headquarters are located in Vancouver, British Columbia, Canada and false statements were made in this District and acts giving rise to the violations complained of occurred in this District.

### **THE PARTIES**

7. Plaintiff City of Inkster Policemen and Firemen Retirement System purchased NovaGold securities during the Class Period as set forth in the attached certification and was damaged thereby.

8. Defendant NovaGold is a corporation organized under the laws of the Province of Nova Scotia, Canada, with its headquarters located in Vancouver, British Columbia, Canada. NovaGold’s stock is traded under the symbol NG on the American Stock Exchange and the Toronto Stock Exchange, which are efficient markets.

9. Defendant Rick Van Nieuwenhuyse (“Nieuwenhuyse”) was, at all relevant times, President and Chief Executive Office (“CEO”) of the Company.

10. Defendant Robert J. (Don) MacDonald (“MacDonald”) was, at all relevant times, Senior Vice President and Chief Financial Officer (“CFO”) of the Company.

11. Defendant Peter W. Harris (“Harris”) was, at all relevant times, Senior Vice President and Chief Operating Officer (“COO”) of the Company.

12. The defendants named in ¶¶9-11 are referred to herein as the “Individual Defendants.”

### **SCIENTER**

13. During the Class Period, the defendants had both the motive and opportunity to conduct fraud. They also had actual knowledge of the misleading nature of the statements they made or acted in reckless disregard of the true information known to them at the time. In so doing, the defendants participated in a scheme to defraud and committed acts, practices and participated in a course of business that operated as a fraud or deceit on purchasers of NovaGold securities during the Class Period.

### **FALSE AND MISLEADING STATEMENTS DURING THE CLASS PERIOD**

14. On October 25, 2006, the Company issued a press release entitled “Final Feasibility Study Completed at NovaGold’s Galore Creek project,” which stated in part:

Hatch Ltd., an independent engineering services company located in Vancouver, B.C., Canada, together with a number of specialized consultants, has completed the Feasibility Study for NovaGold’s Galore Creek project in northwestern British Columbia. This study confirms the economic viability of a conventional open pit mining operation using long-term metals prices and provides the basis for NovaGold’s first Proven and Probable Reserves for copper, gold and silver.

\* \* \*

“The Feasibility Study confirms that Galore Creek is one of the world’s largest undeveloped copper-gold-silver projects with one of the lowest cash costs in the industry, and is another important fundamental step in the Company’s market revaluation from exploration to producer valuation. We are confident that opportunities remain to increase the resource base prior to the start of production, potentially further optimizing overall economics.”

#### **Project Economics**

A financial analysis using the base case parameters set out below indicates that the Galore Creek project is expected to generate an after-tax internal rate of return of approximately 10.6% and have an undiscounted after-tax net present value of US\$1.74 billion. An analysis has also been performed using spot prices, 3-year trailing average prices and a low metals price case. The Feasibility Study evaluated the capital costs, operating and processing costs, taxes and treatment charge for the project.

15. On November 14, 2006, the Company issued a press release entitled "NovaGold Provides update on New Galore Creek Project Advisors," which stated in part:

"With the Feasibility Study for Galore Creek now complete, NovaGold has been approached by a variety of interested financial and industry partners," said Rick Van Nieuwenhuyse, President & CEO of NovaGold. "In view of the discussions so far, we are confident that Galore Creek is of significant interest to potential joint venture parties and eminently financeable in the current market place."

16. NovaGold subsequently decided on a finance advisor, and on November 16, 2006, the Company issued a press release entitled "NovaGold Appoints Citigroup as Finance Advisor for Galore Creek Project," which stated in part:

NovaGold . . . has appointed Citigroup Global Markets Inc. ("Citigroup") as financial advisor to assist the Company in securing financing for its Galore Creek copper-gold-silver project in northwestern British Columbia. NovaGold has selected Citigroup to support accelerating discussions with prospective joint venture parties and to assist the Company as it arranges project financing during the first half of 2007. Citigroup has been involved in arranging and structuring financing for numerous large-scale mining projects worldwide.

"We are pleased with Citigroup's decision to expand their advisory work on behalf of the Company. We look forward to working with Citigroup during this important period in the transition from development stage to producer," said Rick Van Nieuwenhuyse, President and CEO of NovaGold. "With Citigroup in place as our project finance advisor we are rapidly moving forward with our discussions with potential joint venture parties at Galore Creek, with the objective to have a final party selected and financing in place to be able to commence construction in 2007, upon receipt of permits. Financing for the Galore Creek project may include joint venture arrangements, project debt financing and the issuance of equity or debt securities by NovaGold."

17. On December 14, 2006, the Company issued a press release entitled "NovaGold's 2006 Galore Creek Drill Campaign Completed, Expands Deposits," which stated in part:

#### Galore Creek Feasibility Study

A final Feasibility Study for the Galore Creek project, completed by Hatch Ltd. in October 2006, provided Proven and Probable Reserves for NovaGold and confirmed the economics and mine plan of the Galore Creek project. . . .

. . . When compared to the October 2005 Galore Creek Preliminary Economic Assessment, estimated production for copper and gold + silver increased by 16% and

19%, respectively. Average annual after-tax net cash flows increased from US\$200 million per year to over US\$400 million per year for the first 5 years of production at the assumed long-term metals prices for each base case.

The Feasibility Study estimates that the total capital cost to develop the Galore Creek project will be approximately US\$1.8 billion between 2007 and 2010.

18. On February 9, 2007, the Company issued a press release entitled “NovaGold’s Galore Creek Project Update,” which stated in part:

NovaGold . . . today reported that its Galore Creek copper-gold-silver project in northwestern British Columbia is rapidly advancing toward the start of construction in the second quarter of 2007, upon receipt of permits. The project is in the last stages of permitting, with the final public comment and review period underway. Final assay results from the 2006 drilling program have been received, and a resource update is targeted for the end of the first quarter.

\* \* \*

Peter Harris, Senior VP and Chief Operating Officer of NovaGold, commented on the project, construction and operations teams that will build and run the Galore Creek project. “Many of our team members have known and worked with each other on numerous projects. They have a track record of success throughout their careers, working on well-known projects around the world. It is immensely rewarding, in these days of tight labour markets and extensive heavy construction activity, that NovaGold has attracted a team with such experience and talent. Galore Creek is an exceptional project, and the end result will bring phenomenal value to NovaGold’s employees, its shareholders, the Tahltan Nation and local communities, and the British Columbia economy.”

\* \* \*

“The newly formed Project Development Team has been reviewing the Feasibility Study capital costs associated with both Phase 1 and Phase 2 work programs,” continued Mr. Harris. “Based on up-to-date quotes from contractors, the team has determined that the Feasibility Study budget is sufficient for construction of the Galore Creek project within current contingency allocations. This review will continue as basic and detailed project engineering proceeds.”

19. On February 28, 2007, the Company issued a press release entitled “NovaGold Year-End Financial Results and Project Update,” which stated in part:

The last 12 months have certainly been exciting for NovaGold and its shareholders. In 2006 the Company continued to make significant headway at its three most advanced projects, acquired a “green” power company, survived a hostile



takeover attempt and delivered outstanding shareholder returns. NovaGold is exceptionally well positioned in 2007 to take full advantage of the bull market in gold, silver and copper, leveraging its large and growing North American reserve and resource base that will continue to add significant new value for shareholders, and for the communities in which it works.

\* \* \*

A final Feasibility Study for Galore Creek was completed in October 2006, confirming the economics of the project and providing Proven and Probable Reserves. NovaGold completed over 36,000 meters of drilling at Galore Creek in 2006, demonstrating significant expansion potential beyond the currently defined pits. The 2007 drilling program is budgeted for 15,000 meters of follow-up drilling.

\* \* \*

NovaGold made exceptional progress over the past year on all of its projects, and continues to build its experienced construction, operations and management teams. The Company will continue to advance its projects in 2007, aiming to create shareholder value by initiating construction at Galore Creek and achieving market revaluation as a gold producer. NovaGold is well positioned to become North America's next mid-tier gold and copper producer. We look forward to reporting on further positive developments on the Company's projects during the coming months.

\* \* \*

At the Galore Creek project, the Company is in the later stages of obtaining approval to construct a mine on the property that will have a nominal throughput of 65,000 tonnes per day that is planned to produce annually, when in operation, 432 million pounds of copper, 341,000 ounces of gold and 4 million ounces of silver during the first five years of mine life.

\* \* \*

In the Galore Creek Feasibility Study a total of \$375 million (US\$303 million) was planned to be expended in 2007, and an additional \$50 million was expected to be spent in 2007 by Coast Mountain on power line construction necessary for Galore Creek operations, excluding any bonding costs. The NovaGold construction team has rescheduled and re-estimated costs for 2007 based on the longer development schedule contemplated above. This rescheduling contemplates a total of \$262 million being expended in 2007 and an unchanged overall construction budget of \$2.2 billion (US\$1.8 billion), with start-up of operations in 2012 rather than 2011.

20. On March 28, 2007, the Company issued a press release entitled "NovaGold Expands Galore Creek Resource Estimate," which stated in part:

NovaGold Resources Inc. has significantly increased the Measured, Indicated and Inferred Resource estimates at its Galore Creek copper-gold project in northwestern British Columbia based on drilling completed in 2006. Proven and Probable Reserves for the project were estimated in the October 2006 Galore Creek Feasibility Study, and have not been updated with this estimate.

“This new resource estimate continues to show the expansion potential of the world-class Galore Creek deposit,” said Joe Piekenbrock, Vice President of Exploration for NovaGold. “NovaGold’s exploration team will focus on further expansion at Galore Creek in 2007, with particular attention to increasing projected metal production during the first 10 years of operation. NovaGold has budgeted for a minimum of 15,000 meters of drilling at the Galore Creek deposit in 2007.”

21. On March 29, 2007, the Company issued a press release entitled “NovaGold Exercises Option to Purchase Mining Claims at Galore Creek,” which stated in part:

“Exercising this option further strengthens NovaGold’s land position at the Galore Creek deposit and brings us one step closer to construction of this world-class project,” said Rick Van Nieuwenhuyse, President and CEO of NovaGold. “We continue to meet our targets and remain on task, and the Company continues very active discussions with a number of potential joint venture partners for the project.”

22. On April 16, 2007, the Company issued a press release entitled “NovaGold First Quarter Financial Results and Project Update,” which stated in part:

NovaGold is finalizing initial Galore Creek project financing plans so its Board of Directors can make a construction decision once permits are received later this quarter. The Galore Creek Construction team is making final preparations to begin construction. Major equipment has been mobilized to site and critical contracts have been negotiated.

\* \* \*

NovaGold made exceptional progress in the first quarter of 2007, and continues to build its experienced construction, operations and management teams. NovaGold is well positioned to become North America’s next mid-tier gold and copper producer as it moves toward construction at Galore Creek and production at Rock Creek. We look forward to reporting on further positive developments on the Company’s projects during the coming months.

23. Also on April 16, 2007, the Company filed with the SEC a registration statement on Form F-10/A for the public offering of up to \$500 million of the Company’s debt and equity securities (the “April 16 Registration Statement”). The April 16 Registration Statement was signed



by defendants Nieuwenhuyse and MacDonald. The April 16 Registration Statement represented that the Company intended to use the proceeds from the offering to fund its development of the Galore Creek project, as follows:

The net proceeds of any offering of Securities under a Prospectus Supplement will be used to fund further exploration at, and initial construction of, the Galore Creek project, to fund general exploration and development on the Company's other projects and for general corporate purposes.

24. With respect to the Galore Creek project, the April 16 Registration Statement made the following representations:

The Company's Galore Creek project is the subject of a feasibility study and construction is expected to start following receipt of permits and approvals. . . .

- Galore Creek is a large copper-gold deposit located in northwestern British Columbia with proven and probable reserves of 5.3 million ounces of gold, 92.6 million ounces of silver and 6.6 billion pounds of copper. The project's measured and indicated resources, inclusive of proven and probable reserves, total 8.3 million ounces of gold, 141.8 million ounces of silver and 10.2 billion pounds of copper. In addition, Galore Creek hosts inferred resources of 5.3 million ounces of gold, 85.4 million ounces of silver and 4.4 billion pounds of copper.

\* \* \*

#### Feasibility Study

In October 2006, Hatch Ltd., an independent engineering services company, together with a number of specialized consultants, completed a feasibility study (the "Galore Creek Feasibility Study") for the Galore Creek project. This study confirms the economic viability of a conventional open-pit mining operation using long-term metals prices and provides the basis for the Company's first proven and probable reserves for copper, gold and silver.

25. On April 18, 2007, the Company issued a press release entitled "NovaGold Announces Common Share Offering," which stated in part:

The net proceeds from the offering will be used to fund further exploration at, and initial construction of, the Galore Creek project, to fund general exploration and development on the Company's other projects and for general corporate purposes.

26. On April 24, 2007, the Company issued a press release entitled “NovaGold Closes US\$203 Million Public Offering,” which stated in part:

The net proceeds of this offering of approximately US\$194 million (C\$219 million), after deducting underwriters’ fees and estimated expenses, will be used to fund further exploration at, and initial construction of, the Galore Creek Project, to fund general exploration and development of the Company’s other projects and for general corporate purposes.

27. On May 23, 2007, the Company issued a press release entitled “NovaGold and Teck Cominco Form Partnership to Build Galore Creek Mine,” which stated in part:

Galore Creek is expected to produce 432 million pounds of copper, 341,000 ounces of gold and 4 million ounces of silver annually for the first 5 years of production, transitioning NovaGold to a midtier producer and significantly increasing Teck Cominco’s annual copper and gold production. With over 540 million tonnes of reserves and approximately 1 billion tonnes of resources, there remains considerable potential to increase annual production and extend the mine life beyond 20 years.

“This partnership is another key milestone for NovaGold and great news for the people of British Columbia,” said Rick Van Nieuwenhuyse, NovaGold’s President and Chief Executive Officer. “NovaGold chose Teck Cominco as its partner not just because of Teck’s size and expertise, but also because of its corporate culture and a shared commitment to responsible mining. Together, we are ensuring Galore Creek will be developed as a world-class mine that will bring outstanding benefits to the Tahltan Nation, local communities and the shareholders of both NovaGold and Teck Cominco for decades to come.”

\* \* \*

“NovaGold has worked closely with the Provincial and Federal regulators, our First Nations partners and local communities to complete a thorough environmental assessment and permitting process over the past three years,” said Peter Harris, Senior Vice President and Chief Operating Officer of NovaGold. “Since completion of the Feasibility Study last fall, NovaGold has been preparing for the start of construction to ensure its ability to maximize the 2007 construction season. With those preparations and our partnership with Teck Cominco now in place, full construction activities should be able to begin shortly.”

28. On June 5, 2007, the Company issued a press release entitled “NovaGold Board Approves Start of Galore Creek Construction,” which stated in part:

“Since starting work on Galore Creek in 2003, NovaGold has tripled the size of the resource base, completed a thorough environmental and social assessment and

moved diligently through the comprehensive permitting process,” said Rick Van Nieuwenhuyse, President and CEO of NovaGold. “As equal partners, NovaGold and Teck Cominco will work closely with the Tahltan Nation and the Government of British Columbia to build a world-class mine that brings benefits to the province, local communities and our shareholders for decades to come.

“Galore Creek is an exciting project, and NovaGold would like to acknowledge the hard work and contributions from everyone involved who helped advance this project from an exploration stage to construction. We look forward to updating the market as the project advances toward its production target of 2012.”

29. On July 16, 2007, the Company issued a press release entitled “NovaGold Second Quarter Financial Results and Project Update,” which stated in part:

Over the past year NovaGold has completed a series of major risk-reducing development milestones on the way to achieving its long-term business plan of becoming a low-cost, mid-tier gold and copper producer. By year end NovaGold is targeting to become a junior-level producer at its first mine in Nome, Alaska, with gold production estimated at 100,000 ounces per year. With the completion of construction of the Galore Creek copper-gold mine in British Columbia, NovaGold would become a mid-tier level gold and copper producer with annual production estimated at 325,000 ounces of gold, 216,000 pounds of copper and 2 million ounces of silver. Upon completion of construction at NovaGold’s Donlin Creek gold project, the Company’s production would grow to potentially more than 1 million ounces of gold per year.

The first half of 2007 has been an exciting one for the Company. In particular, the announcement of the partnership with Teck Cominco Limited to build the Galore Creek mine has garnered significant market attention and underscored the project’s world-class potential. With continued development at Galore Creek and Rock Creek on schedule to achieve production this year, the second half of 2007 should be equally exciting. We look forward to reporting on further progress on the Company’s projects during the coming months.

30. On July 17, 2007, NovaGold filed with the SEC a Form 6-K in which the Company reported its financial and operating results for the quarter ended May 31, 2007, along with an update on the Company’s development activities for the Galore Creek project, as follows:

In the Galore Creek Feasibility Study, completed by Hatch Ltd. in October 2006, a total of \$375 million (US\$303 million) was planned to be expended in 2007, and an additional \$50 million was expected to be spent in 2007 by NovaGreenPower Inc. (formerly, Coast Mountain Power Corp.) on power line construction necessary for Galore Creek operations, excluding any bonding costs. The NovaGold construction team in February 2007 rescheduled and re-estimated costs for 2007

based on the development schedule contemplated above. This rescheduling contemplates a total of \$262 million being expended in 2007 and an unchanged overall construction budget of \$2.2 billion with start-up of operations in 2012 rather than 2011. In addition \$10 million of environmental bonding has been provided.

31. On August 2, 2007, the Company issued a press release entitled "NovaGold and Teck Cominco Finalize Galore Creek Partnership," which stated in part:

Located in northwestern British Columbia, Galore Creek is one of the largest undeveloped copper-gold projects in the world. With production targeted for 2012, Galore Creek is expected to produce in excess of 430 million pounds of copper, 340,000 ounces of gold and 4 million ounces of silver annually for the first five years of operation. Based on current reserves of over 540 million tonnes and resources of approximately 1 billion tonnes, there is potential to maintain the initial production rates beyond year five and extend the current 20+ year mine life.

Galore Creek road construction is progressing well, with 27 kilometers of road and bridges pioneered and an additional 55 kilometers of road right-of-way cleared for construction. The first permanent bridge structure across the Iskut River is complete and awaiting inspection and four of five construction camps are completed and occupied, with close to 600 people working on the project. Management anticipates the project will create up to 1,000 jobs during the construction phase and approximately 500 full-time jobs during operation.

#### **DEFENDANTS' STATEMENTS WERE FALSE**

32. Defendants' statements set forth above were materially false and misleading because they failed to disclose materially adverse facts about the Company's Galore Creek project and feasibility study. Specifically, defendants failed to disclose that the Hatch Feasibility Study materially understated the capital costs to develop the Galore Creek site.

#### **THE TRUTH BEGINS TO COME TO LIGHT**

33. On November 26, 2007, the Company issued a press release entitled "NovaGold and Teck Cominco Suspend Construction at Galore Creek," which stated in part:

NovaGold Resources Inc. and Teck Cominco Limited today announced they will suspend construction activities at the Galore Creek copper-gold-silver project in northwestern British Columbia. A recent review and completion of the first season of construction indicate substantially higher capital costs and a longer construction schedule for the project. This, combined with reduced operating margins as a result of the stronger Canadian dollar, would make the project, as now conceived and



permitted, uneconomic at current consensus long-term metal prices. NovaGold and Teck Cominco continue to view the property as a substantial resource and will initiate a comprehensive review to evaluate alternative development strategies. The Galore Creek partnership will conduct an orderly suspension of construction activities and will work with employees, the Tahltan Nation, local communities and other stakeholders to minimize the impacts of this decision.

In April 2007, NovaGold retained AMEC Americas Limited ("AMEC"), an independent engineering firm, to review the October 2006 Galore Creek Feasibility Study and commence project engineering. The review covered the entire project with a focus on construction of the mine facilities and tailings and water management structures.

By mid-October 2007, AMEC's preliminary work indicated it expected capital costs would be significantly higher than originally estimated. As a result, NovaGold and Teck Cominco commenced a project strategy review, involving seven engineering teams, to assess the AMEC work. Estimated costs have continued to increase during this review, and NovaGold and Teck Cominco now have sufficient information to indicate that the capital cost of the project could approach as much as \$5 billion. The engineering review is ongoing.

Although there have been changes in scope from the original feasibility study, the largest portion of the capital cost increase is related to the complex sequencing of activities necessary to build the tailings dam and water management structures, and the resulting extension of the construction schedule by 18 to 24 months. The project has also been affected by the rapidly escalating capital costs affecting major construction projects worldwide.

In light of these developments, NovaGold and Teck Cominco have agreed to suspend construction and amend the terms of Teck Cominco's earn-in obligations in connection with the project. Under the amended arrangements, Teck Cominco will invest an additional \$72 million in the partnership to be used over the next five years principally to reassess the project and evaluate alternative development strategies. In addition, Teck Cominco's sole funding of other project costs incurred after August 1, 2007 will now total \$263 million. NovaGold and Teck Cominco will share the next \$100 million of project costs 33% and 67% respectively, and will share costs proportionately thereafter.

"NovaGold has worked for years to advance this project toward production," said Rick Van Nieuwenhuyse, President and CEO of NovaGold. "We reached this decision after considerable review and we share the disappointment of our employees, the Tahltan Nation, all stakeholders and local communities. We will work closely with Teck Cominco to unlock the potential of this world-class resource. NovaGold will continue to add value for shareholders by advancing the other projects in our portfolio, particularly the Donlin Creek project in Alaska."

34. As a result of these disclosures, NovaGold's stock price dropped from \$20.24 to \$9.48 the next trading day, a drop of 53%. This decrease in NovaGold's stock price was a result of the artificial inflation caused by defendants' misleading statements coming out of the stock price.

#### **LOSS CAUSATION/ECONOMIC LOSS**

35. During the Class Period, as detailed herein, defendants made false and misleading statements regarding the capital costs of the Galore Creek project and engaged in a scheme to deceive the market. This artificially inflated NovaGold's stock price and operated as a fraud or deceit on the Class. Later, when defendants' prior misrepresentations and fraudulent conduct became apparent to the market, NovaGold's stock price fell precipitously, as the prior artificial inflation came out of the stock price over time. As a result of their purchases of NovaGold securities during the Class Period, plaintiff and other members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

#### **NO SAFE HARBOR**

36. NovaGold's verbal "Safe Harbor" warnings accompanying its oral forward-looking statements ("FLS") issued during the Class Period were ineffective to shield those statements from liability.

37. The defendants are also liable for any false or misleading FLS pleaded because, at the time each FLS was made, the speaker knew the FLS was false or misleading and the FLS was authorized and/or approved by an executive officer of NovaGold who knew that the FLS was false. None of the historic or present tense statements made by defendants were assumptions underlying or relating to any plan, projection or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by defendants expressly



related to or stated to be dependent on those historic or present tense statements when made. On the contrary, such statements concealed critical data about the capital costs of the Galore Creek project.

**APPLICABILITY OF PRESUMPTION OF  
RELIANCE: FRAUD ON THE MARKET**

38. Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-market doctrine in that, among other things:

(a) Defendants made public misrepresentations or failed to disclose material facts during the Class Period;

(b) The omissions and misrepresentations were material;

(c) The Company's stock traded in an efficient market;

(d) The misrepresentations alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and

(e) Plaintiff and other members of the Class purchased NovaGold securities between the time defendants misrepresented or failed to disclose material facts and the time the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

39. At all relevant times, the market for NovaGold securities was efficient for the following reasons, among others:

(a) As a regulated issuer, NovaGold filed periodic public reports with the SEC; and

(b) NovaGold regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the major news wire services and through other wide-ranging public disclosures, such as communications with the financial press, securities analysts and other similar reporting services.

**COUNT I**

**For Violation of §10(b) of the 1934 Act  
and Rule 10b-5 Against All Defendants**

40. Plaintiff incorporates ¶¶1-39 by reference.

41. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or recklessly disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

42. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

(a) employed devices, schemes, and artifices to defraud;

(b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) engaged in acts, practices, and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of NovaGold securities during the Class Period.

43. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for NovaGold securities. Plaintiff and the Class would not have purchased NovaGold securities at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

44. As a direct and proximate result of these defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their purchases of NovaGold securities during the Class Period.

## COUNT II

### **For Violation of §20(a) of the 1934 Act Against All Defendants**

45. Plaintiff incorporates ¶¶1-44 by reference.

46. The Individual Defendants acted as controlling persons of NovaGold within the meaning of §20 of the 1934 Act. By virtue of their positions and their power to control public statements about NovaGold, the Individual Defendants had the power and ability to control the actions of NovaGold and its employees. NovaGold controlled the Individual Defendants and its other officers and employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

### **CLASS ACTION ALLEGATIONS**

47. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased NovaGold securities during the Class Period (the “Class”). Excluded from the Class are defendants, directors and officers of NovaGold and their families and affiliates.

48. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. NovaGold has 105 million shares outstanding, owned by thousands of persons.

49. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) Whether the 1934 Act was violated by defendants;
- (b) Whether defendants omitted and/or misrepresented material facts;

(c) Whether defendants' statements omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(d) Whether defendants knew or recklessly disregarded that their statements were false and misleading;

(e) Whether the prices of NovaGold securities were artificially inflated; and

(f) The extent of damage sustained by Class members and the appropriate measure of damages.

50. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

51. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

52. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

### **PRAYER FOR RELIEF**

WHEREFORE, plaintiff prays for judgment as follows:

- A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;
- B. Awarding plaintiff and the members of the Class damages and interest;
- C. Awarding plaintiff's reasonable costs, including attorneys' fees; and
- D. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

**JURY DEMAND**

Plaintiff demands a trial by jury.

DATED: September 9, 2008

COUGHLIN STOIA GELLER  
RUDMAN & ROBBINS LLP  
SAMUEL H. RUDMAN  
DAVID A. ROSENFELD

  
\_\_\_\_\_  
DAVID A. ROSENFELD

58 South Service Road, Suite 200  
Melville, NY 11747  
Telephone: 631/367-7100  
631/367-1173 (fax)

COUGHLIN STOIA GELLER  
RUDMAN & ROBBINS LLP  
DARREN J. ROBBINS  
MATTHEW P. MONTGOMERY  
655 West Broadway, Suite 1900  
San Diego, CA 92101  
Telephone: 619/231-1058  
619/231-7423 (fax)

Attorneys for Plaintiff

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CERTIFICATION OF NAMED PLAINTIFF  
PURSUANT TO FEDERAL SECURITIES LAWS

CITY OF INKSTER POLICEMEN AND FIREMEN RETIREMENT SYSTEM  
("Plaintiff") declares:

1. Plaintiff has reviewed a complaint and authorized its filing.
2. Plaintiff did not acquire the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action or any other litigation under the federal securities laws.
3. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.
4. Plaintiff has made the following transaction(s) during the Class Period in the securities that are the subject of this action:

<u>Security</u>	<u>Transaction</u>	<u>Date</u>	<u>Price Per Share</u>
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*See attached Schedule A.*

5. Plaintiff has not sought to serve or served as a representative party for a class in an action filed under the federal securities laws except as detailed below during the three years prior to the date of this Certification:

*Sholom v. Blockbuster, Inc.*, No. 05-cv-2213 (N.D. Tex.)

6. The Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery,



except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 5<sup>TH</sup> day of SEPT., 2008.

CITY OF INKSTER POLICEMEN AND  
FIREMEN RETIREMENT SYSTEM

By: 

Its: \_\_\_\_\_

SCHEDULE A

SECURITIES TRANSACTIONS

Acquisitions

<u>Date Acquired</u>	<u>Type/Amount of Securities Acquired</u>	<u>Price</u>
01/23/2007	790	\$16.05
04/19/2007	1,450	\$16.25